

# AG Jennings Shuts Down Massive Charity Fraud Telefunding Operation

*Defendants placed more than 1.3 billion deceptive fundraising calls claiming to support veterans, children, firefighters*

The Delaware Department of Justice, along with the Federal Trade Commission and 46 agencies from 38 states and the District of Columbia, has stopped a massive telefunding operation that bombarded 67 million consumers with 1.3 billion deceptive charitable fundraising calls, mostly illegal robocalls. The defendants collected more than \$110 million using their deceptive solicitations

“Delawareans are honest people who expect honesty in return,” said Attorney General Jennings. “I’m proud to live in a state of neighbors where we live by values of empathy and charity. ACS and other defendants shamelessly preyed on good people’s kindness and generosity and deceived millions of consumers into donating to sham causes. We’re holding them accountable with this settlement and will never tolerate this kind of conduct in our state.”

Associated Community Services (ACS) and related defendants have agreed to settle charges by the FTC and state agencies that they duped generous Americans into donating to charities that failed to provide the services they promised. [The complaint](#) names ACS and its sister companies Central Processing Services and Community Services Appeal; their owners, Dick Cole, Bill Burland, Barbara Cole, and Amy Burland; and ACS senior managers Nikole Gilstorf, Tony Lia, John Lucidi, and Scot Stepek. In addition, the complaint names

two fundraising companies allegedly operated by Gilstorf and Lia as spin-offs of ACS, Directele, and The Dale Corporation.

“Deceptive charitable fundraising can be big business for scammers, especially when they use illegal robocalls,” said Daniel Kaufman, Acting Director of the FTC’s Bureau of Consumer Protection. “The FTC and our state partners are prepared to hold fraudsters accountable when they target generous consumers with lies.”

According to the complaint, the defendants knew that the organizations for which they were fundraising spent little or no money on the charitable causes they claimed to support—in some cases as little as one-tenth of one percent. The defendants kept as much 90 cents of every dollar they solicited from generous donors on behalf of the charities. During the course of the Defendants’ conduct, 181,055 calls were made to Delawareans by Directele and its affiliates from January 2019 through August 2020. In violation of Delaware law, these entities were not registered to conduct telemarketing activities in Delaware.

The complaint alleges that the defendants made their deceptive pitches since at least 2008 on behalf of numerous organizations that claimed to support homeless veterans, victims of house fires, breast cancer patients, children with autism, and other causes that well-meaning Americans were enticed to support through the defendants’ high-pressure tactics. ACS was also the major fundraiser for the [sham Cancer Fund charities that were shut down by the FTC and states](#) in 2015.

In many instances, the complaint alleges, ACS and later Directele knowingly violated the Telemarketing Sales Rule (TSR) by using soundboard technology in telemarketing calls. With that technology, an operator plays pre-recorded messages to consumers instead of speaking with them naturally. Use of such pre-recorded messages in calls to first time donors

violates the TSR. Use of the technology in calls to prior donors also violates the TSR unless call recipients are affirmatively told about their ability to opt out of all future calls and provided a mechanism to do so; the defendants did not make that disclosure. Most of Directele's soundboard calls originated from call centers in the Philippines and India.

The complaint also charges ACS with making harassing calls, noting that ACS called more than 1.3 million phone numbers more than ten times in a single week and 7.8 million numbers more than twice in an hour. More than 500 phone numbers were even called 5,000 times or more.

The ACS defendants were the subject of 20 prior law enforcement actions for their fundraising practices. The ACS defendants stopped operating in September 2019. Gilstorf purchased Directele and Dale Corp in October 2019 and, with Lia, the Directele defendants allegedly continued the deceptive fundraising and illegal telemarketing practices. The complaint alleges the defendants violated the Delaware Consumer Fraud Act, the Uniform Deceptive Trade Practices Act, the Delaware Charitable/Fraternal Solicitation Act, the FTC Act, the TSR, and numerous other state laws.

The terms of the settlements with the defendants, which are now pending court approval, are as follows:

### **Associated Community Services Defendants**

Each of these defendants will be permanently prohibited from conducting or consulting on any fundraising activities and from conducting telemarketing of any kind to sell goods or services. In addition, they will be prohibited from using any existing donor lists and from further violations of state charitable giving laws, as well as from making any misrepresentation about a product or service. The defendants

will be also be subject to the following monetary judgments:

- [Associated Community Services, Inc.; Community Services, Inc.; Central Processing Services, Inc.; and Richard “Dick” Cole](#) are subject to a monetary judgment of \$110,063,843.
- [Community Services Appeal, Inc. and Barbara Cole](#) are subject to a monetary judgment of \$110,063,843. Barbara Cole also will be required to turn over the proceeds of the sale of a vacation home in Michigan.
- [Robert W. “Bill” Burland and Amy J. Burland](#) are subject to a monetary judgment of \$110,063,843.

### **Directele Defendants and ACS Senior Managers Scot Stepek and John Lucidi**

Each of these defendants will be permanently prohibited from any fundraising work or consulting on behalf of any charitable organization or any nonprofit organization that claims to work on behalf of causes similar to those outlined in the complaint. They will also be prohibited from using robocalls for any form of telemarketing, using abusive calling practices, or making any misrepresentation about a product or service. In addition, the defendants will be required to clearly and conspicuously disclose when a donation they are requesting is not tax deductible.

In addition, the two corporate defendants—Directele Inc. and The Dale Corporation—will be required to cease operations and dissolve.

The defendants will also be subject to the following monetary judgments:

- [Scot Stepek](#) will be subject to a monetary judgment of \$110,063,843. Stepek will be required to sell a ski boat in his possession and turn over the net proceeds from

the sale.

- [Directele Inc., The Dale Corporation, Nikole Gilstorf, and Antonio Lia](#) will be subject to a monetary judgment of \$1.6 million. Gilstorf and Lia also will be subject to a judgment of \$110,063,843.
- [John Lucidi](#) will be subject to a judgment of \$110,063,843.

The funds being surrendered by the defendants will be paid to an escrow fund held by the State of Florida and, following a motion by the participating states and approval by the court, be contributed to one or more legitimate charities that support causes similar to those for which the defendants solicited.

The FTC has more information for consumers about charitable giving, including tips on how to spot sham charities at <https://ftc.gov/charity>. In addition, consumers are encouraged to let the FTC know about charity fraud, robocalls, and other consumer issues at <https://reportfraud.ftc.gov>. This matter is being handled by the DOJ's Fraud and Consumer Protection Division. Deputy Attorney General Oliver Cleary represented Delaware in this matter. Delawareans can find information from the Department of Justice's Consumer Protection Unit, including how to report fraud or deceptive business practices, at [de.gov/consumer](https://de.gov/consumer).